

The complaint

Mr and Mrs B complain that Santander UK Plc was unclear about the latest date to take out a new interest rate product for their mortgage. As a result, they missed the deadline and had to take out a different product with a higher interest rate.

What happened

Mr and Mrs B contacted Santander in July 2021 as they wanted to take out a new interest rate product and additional borrowing. The existing interest rate product for the larger part of Mr and Mrs B's mortgage expired in early November 2021. The additional borrowing was for home improvements and wasn't needed until late 2021.

Santander said if Mr and Mrs B wanted the whole loan on the same product they had to take out the additional borrowing first, and then switch the main mortgage onto the same rate.

Mr and Mrs B took out the further borrowing on 1 November 2021. When they tried to switch the mortgage onto the new product rate, Santander said they'd missed the deadline.

Our investigator said the information provided by Santander was unclear. He said Santander should apply the lower interest rate to Mr and Mrs B's mortgage.

Santander didn't agree. It said there was a difference between its offer of further borrowing and the product switch. It said its information was clear and the fact that Mr and Mrs B said they thought they had extra time indicates they knew about the deadline for the product switch.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

When Mr and Mrs B contacted Santander in July 2021, they wanted to do two things. They wanted to take out a further advance. And they wanted to take out a new preferential interest rate. Santander offered both of these things. But the expiry dates of the offers were different. Mr and Mrs B had until 5 November 2021 to take out the further advance. They had until 26 October 2021 to complete the product switch.

Santander says it explained this during the calls in July 2021. But I don't think Santander was clear about there being two different expiry dates. And I think Mr and Mrs B would have acted differently if it had been clear.

Mr B discussed the additional borrowing and available products with Santander's mortgage adviser. Timing was important to Mr and Mrs B. Mr B told Santander they wanted to secure the interest rate, as he expected rates to rise. They didn't need the additional borrowing until later in the year and wanted to take it out as late as possible, as they'd be paying interest on the borrowing. They wanted to switch their main mortgage to the new rate as soon as their existing product expired in early November 2021 to avoid being on the standard variable

rate.

Mr B was aware that the offers would be available for three months. He asked the adviser when the clock starts ticking. The adviser said this was from when the offer is made.

The adviser said the offer would be issued within a few days or a couple of weeks, depending whether a valuation was needed. This discussion was on 12 July 2021, so it was likely the offer would be issued before the end of July 2021 (which meant it would expire before early November 2021). I think both parties were aware of this. Mr B said he'd be happy for the offer to be issued later, to get closer to early November 2021. Santander told Mr B to contact it if he thought the offer would run out before he needed the additional funds, to look at rates and get a new offer issued.

The adviser said the offer would set out the expiry date. She didn't say this would only apply to the additional borrowing, and that the deadline for the product switch would be three months from the offer date even if that was different. Perhaps the adviser didn't know this would happen – but then it wouldn't be reasonable to expect Mr and Mrs B to know this either.

Mr B asked about taking out the new loan on 1 November 2021, and whether this would allow time for the new product to be applied to his main mortgage before it went onto the variable rate. Santander said it would usually take a few days, but Mr B could take out the additional borrowing earlier and switch without incurring an ERC as it was so close to the product expiry.

Santander issued an additional loan offer on 26 July 2021. This said the offer was available until 5 November 2021. There was no mention of the latest date to switch the main mortgage to the new product.

Mr and Mrs B say they assumed 5 November 2021 was the three-month expiry date, with some additional time added for the letter to be issued, or reflection time. I think that was reasonable, in the circumstances. I don't think Santander made it clear that there would be different deadlines to accept the additional loan and the product switch. I don't think it was reasonable for Santander to expect Mr and Mrs B to work out that the 5 November 2021 date only applied to the additional loan, and that they had three months from the date of the offer to switch the main mortgage to the product they'd chosen.

Mr and Mrs B returned the acceptance form for the further advance in mid-August 2021, asking for the further advance to complete on 1 November 2021. This was consistent with what they told the mortgage adviser about their preferred timing.

If Santander had sent an offer or written confirmation making it clear there were different deadlines for the additional loan and the product switch I might reach a different outcome. But it didn't. And I don't think it made this clear during the calls.

I think, if Mr and Mrs B had known that the product offer expired in late October 2021, they would have acted differently. They could have taken the additional borrowing a couple of weeks earlier to secure the product rate they wanted. Or taken out the additional borrowing later. While they wouldn't have secured their preferred interest rate product, they'd have benefitted from not paying interest before they needed the money.

As it was, Mr and Mrs B took out the additional borrowing before they needed it, but didn't secure the interest rate they wanted. The product Mr and Mrs B took out in November 2021 had a higher interest rate. I think they lost out due to the unclear information from Santander.

I think Santander needs to put matters right. I think, in the circumstances, it's fair and reasonable to require Santander to apply the 1.19% five-year fixed rate product to Mr and Mrs B's whole mortgage account. It should apply the rate from 2 November 2021 and adjust Mr and Mrs B's mortgage account accordingly, including for any difference in the product fees. If this means Mr and Mrs B have been overpaying each month since November 2021, Santander should ask them if they'd like the overpayments refunded to them or applied to the mortgage account. If they've been underpaying, Santander should ask them if they want to make up the difference in the payments.

My final decision

My decision is that I uphold this complaint. I order Santander UK PLC to apply the interest rate product and adjust Mr and Mrs B's account as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 15 August 2022.

Ruth Stevenson
Ombudsman